ONE HUNDRED SEVENTH CONGRESS

U.S. House of Representatives
Committee on Energy and Commerce
Washington, DC 20515–6115

W.J. "BILLY" TAUZIN, LOUISIANA,
CHAIRMAN

October 8, 2002

The Honorable Harvey Pitt
Chairman
Securities and Exchange Commission
450 5th Street, N.W.
Washington, D.C. 20545

Dear Mr. Chairman:

We are writing to express our concern and displeasure regarding press reports indicating that, due to pressure from the accounting industry and its Republican supporters in Congress, you are backing away from the choice you and other members of the Securities and Exchange Commission (SEC) earlier had favored to head the new oversight board that will oversee the accounting profession.[1] These reports, if true, raise serious questions as to the level of your commitment to reforming the accounting profession.

According to these press accounts, "industry executives and at least one prominent Republican lawmaker had complained that the top choice, John J. Biggs, was too tough on the industry." We note that Mr. Biggs' nomination was widely hailed by many market participants, academics, and by former SEC Chairman Levitt.[2] We have heard favorable reports about Mr. Biggs from institutional investors, pension funds, and other market observers and participants. The editorial page of the Wall Street Journal, hardly a proponent of excessive regulation, called Mr. Biggs "a sensible choice."[3] We were therefore startled and dismayed to read in Friday's New

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[1]Stephen Labaton, "S.E.C. Chief Hedges on Accounting Regulator," The New York Times, October 4, 2002, at C1; Michael Schroeder and Cassell Bryan-Low, "GOP Objects to Biggs to Run Oversight Board," The Wall Street Journal, October 2, 2002, at C12; and "Post-Enron Reform Questions," The Washington Post, October 4, 2002, at A28.

[2]Stephen Labaton, "Chief of Big Pension Plan is Choice for Accounting Board," The New York Times, October 1, 2002, at C4; and Judith Burns, "Levitt Praises Pitt As 'Best Qualified' to Head SEC," Dow Jones, October 3, 2002.

[3]"Fighting Mr. Biggs," The Wall Street Journal, October 4, 2002, at A12.

York Times that "the selection process has been thrown into turmoil, as the accounting profession, which lost the battle in Congress two months ago over how it should be regulated, has turned to Mr. Pitt, one of its former top lawyers before he joined the government, to try to win the war." The accountants are reportedly being supported by some on Capitol Hill who object to Mr. Biggs for not being sufficiently "moderate" (implying that Mr. Biggs might actually take needed action).

We urge you to resist the special pleadings of your former clients in the accounting profession, and appoint Mr. Biggs as head of the new accounting oversight board. As you know, over the last year the accounting profession has, by its own greed and malfeasance, lost the confidence of the investing public. That is why the Congress enacted the Sarbanes-Oxley Act which, among other things, established an accounting oversight board to establish and oversee standards of ethical conduct for the profession, to oversee the audits of public companies, and to protect the interests of investors and the public. There is very little public confidence in these matters now, resulting in a profoundly negative effect on our capital markets and the economy. The accountants cannot, and should not, be permitted to pick their regulator, or exercise veto power over the Commission's choices in this matter. In closing, we join our colleagues Minority Leader Gephardt and Congressmen LaFalce and Frank in urging you and the rest of the Commission to move promptly to approve Mr. Biggs to be Chairman of the Public Company Accounting Oversight Board.

Thank you for your consideration in this matter.

Sincerely,

JOHN D. DINGELL
RANKING MEMBER
COMMITTEE ON ENERGY AND COMMERCE

Edward J. Markey
EDWARD J. MARKEY
RANKING MEMBER
SUBCOMMITTEE ON TELECOMMUNICATIONS AND THE INTERNET

Enclosures

cc: The Honorable W.J. "Billy" Tauzin, Chairman
Committee on Energy and Commerce

The Honorable Michael G. Oxley, Chairman
Committee on Financial Services

The Honorable John J. LaFalce, Ranking Member
Committee on Financial Services

Business Day

The New York Times

S.E.C. Chief Hedges on Accounting Regulator

Chester Higgins Jr./The New York Times, above; Paul Hosefros/The New York Times, below

Under accounting industry pressure, the choice of John H. Biggs, above, head of a big pension plan, as chairman of a new industry oversight board is being reconsidered by the S.E.C. chief, Harvey L. Pitt.

By STEPHEN LABATON

WASHINGTON, Oct. 3 — Harvey L. Pitt, under pressure from Republicans and former clients in the accounting profession, is backing away from the choice he and other members of the Securities and Exchange Commission favored to lead the new federal agency that will oversee the industry.

Industry executives and at least one prominent Republican lawmaker complained that the top choice, John H. Biggs, was too tough on the industry.

After those complaints, Mr. Pitt, the chairman of the commission, informed Mr. Biggs this week in a telephone conversation that he was no longer certain he could support his candidacy to head the new accounting oversight board, according to several people who were briefed about the discussion. Only three weeks ago, Mr. Pitt privately assured Mr. Biggs that he would support him for the job.

Mr. Biggs, a top executive at a large pension system, has been a leading voice for more stringent oversight of the accounting profession. His testimony this year helped to lay the groundwork for some of the provisions in the legislation signed into law two months ago that set up the new five-member accounting oversight board.

He has been endorsed by people like Paul A. Volcker, a former Federal Reserve chairman, who was the commission's first choice for the post, and Arthur Levitt, Mr. Pitt's predecessor at the S.E.C.

Mr. Biggs, the chairman and chief executive of the pension investment plan TIAA-CREF, testified this year before Congress that companies need to account more stringently for stock options granted to executives. He supports making companies rotate their auditors every few years.

And he has been critical of accounting firms that perform consulting and auditing activities for the same client.

The call from Mr. Pitt this week was a remarkable turnabout. At a lunch at TIAA-CREF offices in New York on Sept. 11, Mr. Pitt and Harvey J. Goldschmid, another commissioner, told Mr. Biggs that they would support him for the job if he wanted

Continued on Page 20

S.E.C. Chairman, Pressed, Rethinks Accounting Choice

Continued From First Business Page

it, senior agency officials and Congressional aides briefed about the meeting said. At that time, Mr. Biggs indicated he was leaning toward taking it

Mr Biggs then began consulting with the commissioners about who should be selected for the four other places on the new board A few days after the lunch, Mr. Pitt publicly predicted that the new oversight board would be announced by the end of September, a month ahead of its deadline.

But now, commission officials say, the selection process has been thrown into turmoil, as the accounting profession, which lost the battle in Congress two months ago over how it should be regulated, has turned to Mr. Pitt, one of its former top lawyers before he joined the government, to try to win the war.

In response to an e-mail message outlining what aides and officials had said about the selection process, Mr Pitt today issued a one-sentence statement through his spokeswoman, Christi Harlan. "The version of events you have described is untrue," his response said. Mr. Pitt declined a request to elaborate.

The S.E.C. chairman now finds himself in an awkward political position, caught between some Republicans and accounting representatives who do not want Mr. Biggs, and some of his colleagues and lawmakers, who do

Congressional aides and current and former S E C officials say the episode illustrates the continued political influence of the accounting profession despite its defeat on Capitol Hill on the legislation, sponsored by Senator Paul S. Sarbanes, Democrat of Maryland, establishing the oversight board.

"It appears that the accounting firms, the Republicans and now Chairman Pitt are trying to circumvent the Sarbanes legislation by making certain that the board does not include any reform-minded persons," said Lynn E. Turner, a former chief accountant at the S.E.C. during the 1990's who has been advising officials on carrying out the new law "If we lose Biggs, we lose a reform-minded board."

Mr. Biggs, who was described today by friends as still willing to serve, said through a spokesman that the commission had not offered him the job and declined to comment further. Despite the conversation with Mr. Pitt, his candidacy is not dead; Mr. Biggs continues to enjoy widespread support among the other commissioners and a number of lawmakers.

Mr. Goldschmid declined to comment about the selection process. Other officials said it was not clear whether Mr. Pitt's new stance was an effort to placate the accounting industry and its supporters in Congress or was simply a negotiating strategy to win the appointment of some candidates he prefers for the board who are opposed by other commissioners As one example, officials say that Mr Pitt strongly favors Donald J. Kirk, a Columbia Business School professor, for one board seat, while other commissioners think Mr. Kirk is too sympathetic to the industry.

The new oversight board is viewed as an important instrument to calm the roiled stock markets and restore credibility to the oversight of a profession that has lost one of its major firms, Arthur Andersen, because of its criminal involvement in the Enron scandal, and which is still faced with a steady stream of accusations involving conflicts of interest. With Mr. Biggs winning support for the job from top officials, it looked as if the new board would be off to a strong start.

Susana Raab for The New York Times

The law creating the accounting oversight board was named for Senator Paul S. Sarbanes, seated at left, and Representative Michael G. Oxley, right. The two may now be taking different approaches on oversight.

Industry lobbyists try to recoup setbacks in Congress and block an activist appointee.

But representatives from the accounting industry and its main lobbying organization, the American Institute of Certified Public Accountants, privately balked They complained about the appointment to officials at the S.E.C. and in the Bush administration. They also approached Republican lawmakers, including Representative Michael G. Oxley, Republican of Ohio, the chairman of the House committee that has oversight responsibilities for the agency

Peggy Peterson, a spokeswoman for Mr. Oxley, said he "wanted a person of moderate views" to head the oversight board. She pointedly declined to comment when asked whether Mr Oxley thought that Mr. Biggs was such a person or whether Mr. Oxley had lobbied against the appointment, as other officials said.

Lynn Drake, communications director at the accountants' institute, did not respond to questions about its views on Mr. Biggs.

Around the time Mr Pitt informed Mr. Biggs that his support was waning, Mr. Pitt issued a carefully worded statement in response to an article in The New York Times about his selection that said the full S.E.C. had not yet formally decided on the composition of the new board.

"The Securities and Exchange Commission has made no decision on the composition of the Public Company Accounting Oversight Board or offered the position of chairman to any person," Mr. Pitt's statement said. "Any report to the contrary is inaccurate. When the commission acting as a body makes a decision, it will make a public statement to that effect."

The accounting profession has long loosely regulated itself. The new oversight board created by the legislation and named for Senator Sarbanes and Mr. Oxley, who sought a less restrictive bill, is supposed to set new ethics standards for the profession and to discipline errant auditors. How far it goes in establishing stringent oversight will largely be determined by the new board members to be appointed by the S.E C

GOP Objects to Biggs To Run Oversight Board

TIAA-CREF Chief Faces Opposition as Progress On Accounting Panel Slows

By MICHAEL SCHROEDER
And CASSELL BRYAN-LOW

WASHINGTON—Efforts to appoint TIAA-CREF chief John Biggs to run the new accounting-standards board to clean up the profession after the Enron Corp. debacle are running into opposition from congressional Republicans.

Securities and Exchange Commission Chairman Harvey Pitt yesterday issued a statement denying a New York Times report that Mr. Biggs had been offered the job. Battles over who should sit on the five-member board have slowed progress to the point where no one has been named to the board—completion of which Mr. Pitt wanted by the end of September.

It's not for lack of candidates. There are 400 nominations already for the jobs, partly because they pay a whopping $435,000 a year—a bit higher than President Bush's $400,000 salary and more than triple Mr. Pitt's $138,200.

The lobbying blitz has caused Mr. Pitt's target date to slip to at least mid-October, and he faces an absolute deadline of Oct. 28—as stipulated by Congress.

The SEC hoped to get the ball rolling with the nomination of Mr. Biggs, a well-regarded economist and pension-fund chief. But GOP lawmakers, including Rep. Michael Oxley of Ohio, chairman of the GOP-controlled House Financial Services Committee, have expressed their "strong objections" to Mr. Biggs, a congressional staff member said.

If House Republicans were cool to him before, Mr. Biggs apparently chilled the relationship further on Monday when he attended an Oxley speech at a town hall meeting on corporate-governance at TIAA-CREF headquarters in New York. Mr. Biggs promoted himself for the board position at the event, according to a GOP official who attended the event.

By Monday night, at a book party in a New York art gallery for former SEC Chairman Arthur Levitt, a close associate of Mr. Biggs, the pension-fund chief wasn't commenting about his appointment. Yesterday, a TIAA-CREF spokesman said Mr. Biggs had no comment on his attendance at the Oxley speech or Republican opposition to his possible board appointment.

Shareholder activists, labor and pension funds argue that the new accounting regulatory group has an unprecedented opportunity to overhaul the way accounting firms audit public-company books and are pressuring the SEC to appoint reform-minded members—including Mr. Biggs Accounting firms have complained to lawmakers that they fear Mr. Biggs would impose restrictions on auditors that go beyond changes called for by the legislation.

Amid the turmoil, some leading candidates for board seats are withdrawing their names. J. Michael Cook, a former chairman of Deloitte & Touche LLP who later became a critic of industry practices, has told the SEC he isn't interested in a board seat, says an SEC official. Mr. Cook declined to comment.

Activist groups have taken aim at one front-runner for an accountant seat, Donald Kirk. Some SEC officials say that SEC chief accountant Robert Herdman is an advocate for Mr. Kirk, a past chairman of the Financial Accounting Standards Board and a member of the defunct Public Oversight Board, an ineffective industry-sponsored disciplinary body.

THE WALL STREET JOURNAL.

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The Washington Post

AN INDEPENDENT NEWSPAPER

Post-Enron Reform Questions

THE ARREST of Andrew S. Fastow, Enron's former chief financial officer, is a welcome sign of the government's determination to hold crooked executives accountable. But other aspects of the post-Enron cleanup are not going so well. The Securities and Exchange Commission's efforts to appoint a new board to oversee auditors are bogging down, apparently because the accounting lobby remains in overdrive while public attention has strayed elsewhere. At the same time, there is no progress on appropriating money for the SEC to beef up its enforcement division.

The SEC initially invited Paul A. Volcker, the former Fed chairman, to head the audit oversight board created by the post-Enron reform legislation that the president signed in the summer. That was a good choice, but Mr. Volcker declined. Next, the SEC approached John H. Biggs, the head of the Teachers Insurance and Annuity Association College Retirement Equities Fund. This too was a good choice: Mr. Biggs has long been an outspoken advocate of honest auditing. He has refused to allow auditors of his retirement fund to compromise their independence by acting as consultants too. He has rotated audit firms, and he has called for clearer accounting for executive stock options.

The snag is that the accounting lobbyists are telling their friends in Congress that they don't like Mr. Biggs, and the friends are passing this message along to the SEC; this week Harvey Pitt, the SEC's chairman, reportedly called Mr. Biggs and told him that he may not be able to support him. Given that Mr. Biggs has already been vetted by the administration and the Fed, this is a troubling reversal. Unless Mr. Biggs gets the job, the auditors may end up with what they wanted all along: an oversight board that does not aggressively rewrite audit rules to make sure audits get done properly; an oversight board that does not discipline auditors for sloppy work; and in short, an oversight board that looks much like the ineffectual predecessor that allowed audit quality to decline to the point that this year's scandals became possible.

As well as creating a new oversight board, the post-Enron reform law authorized a big jump in the SEC's budget, from $438 million to $766 million. The Senate has duly appropriated the money. But the House has yet to do so. The SEC's tight budget prevents it from hiring necessary officials and paying them enough to keep them; salaries at the commission lag behind those at other financial regulators. If the regulators are kept weak this way, regulation is inevitably weak too. In the wake of Enron, WorldCom and all the other corporate scandals, it's hard to see why Congress wouldn't want to bolster the securities commission.

THE NEW YORK TIMES, TUESDAY, OCTOBER 1, 2002

Chief of Big Pension Plan Is Choice for

By STEPHEN LABATON

WASHINGTON, Sept. 30 — The chief executive of one of the nation's largest pension programs, John H. Biggs, has agreed to be the first head of a new regulatory oversight board for the accounting profession, people involved in the selection said today.

Officials at the Securities and Exchange Commission offered the job to Mr. Biggs, the head of TIAA-CREF, the big pension fund, and a leading voice for aggressive accounting oversight. The S.E.C.'s first choice, Paul A. Volcker, former chairman of the Federal Reserve, turned down the post.

Harvey L. Pitt, the chairman of the S.E.C., has said he hoped to announce the board by the end of September, but the commission failed to reach agreement on the four other members.

The board was created by Congress two months ago after a wave of corporate scandals shook investor confidence and sent the stock markets swooning. It is viewed by lawmakers and corporate law experts as essential to restoring confidence in the markets by taking steps to end accounting abuses and reduce the record number of earnings restatements over the last few years.

The new agency, the Public Company Accounting Oversight Board, has been given a broad mandate to set ethics and conflict-of-interest standards, discipline accountants and conduct annual reviews of the largest accounting firms.

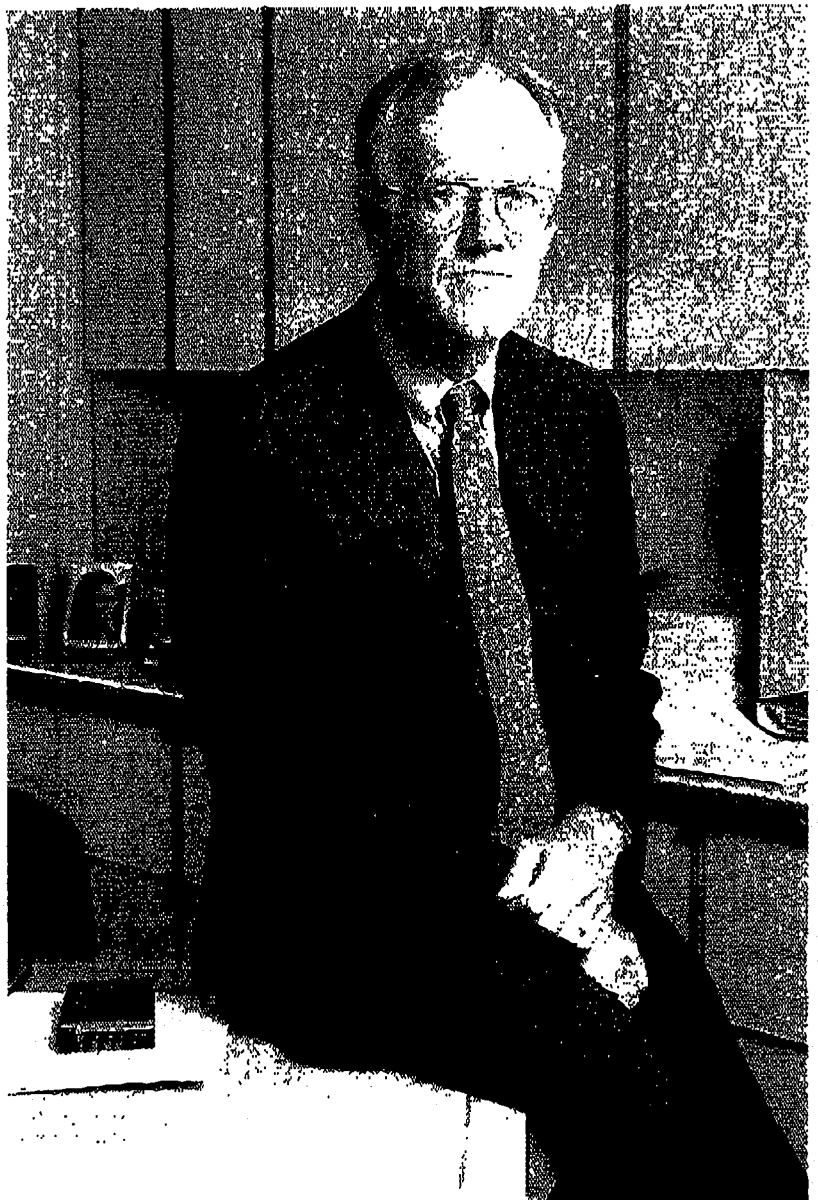
The board's predecessor organization suffered from a variety of problems, notably its lack of independent financing, which hampered its ability to police the profession. That problem has been addressed by creating a different financing mechanism — the budget for the new board will come from assessments levied on the corporate clients of the auditing firms.

Mr. Biggs, 66, is an economist, actuary and former top educator and insurance executive. His term as chairman and chief executive of TIAA-CREF is scheduled to expire next spring. With $265 billion in assets for 15,000 institutions, the investment plan — formally the Teachers Insurance and Annuity Association-College Retirement Equities Fund — is the largest pension system in the country for educational institutions.

Through a spokesman, Mr. Biggs declined today to discuss his role at the oversight board. His views about accounting regulation have become well known in Washington this year.

He has spoken publicly and testified repeatedly to Congress about the need for tougher regulation of accountants. He has called for tighter accounting of stock options granted to corporate executives. He urged Congress to go beyond the proposals made by Mr. Pitt in establishing a tough and independent oversight agency. And at his own company, he has rotated TIAA-CREF's auditors every five to seven years, and not used the same accounting firms to perform both auditing and consulting functions.

"The three changes we have needed for some time and that bear directly on the circumstances of Enron are these," Mr. Biggs told the Senate Banking Committee in February at hearings that laid the groundwork for passage of the law that created the new accounting board. "One, a means of dealing with the widespread overuse and abuse of fixed-



Chester Higgins Jr/The New York Times

John H. Biggs, the head of TIAA-CREF, has repeatedly urged Congress to impose tougher regulatory standards on accounting.

Accounting Board

A strong oversight role grows out of corporate scandals.

price stock options. Two, the need for some basic common sense regarding auditor independence. And three, the need for a strong regulatory model to oversee the accounting profession."

Experts applauded the choice today. "Biggs is an excellent choice," said James D. Cox, a Duke University professor in corporate and securities law who has written extensively on accounting issues. "He comes from an organization that has been in the vanguard in terms of expectations for auditors, and he's been successful in everything he's done."

The S.E.C. is preparing to formally announce the selection of Mr. Biggs soon and is negotiating over the rest of the board. By law, two of the five members must be accountants. Disagreement has centered on the possible selection of Donald J. Kirk, a professor at Columbia Business School and former head of the Financial Accounting Standards Board. He is said to be a top candidate of some officials, including Robert K. Herdman, the chief accountant of the S.E.C.

Mr. Kirk is opposed by others at the commission and by consumer and investor groups who say he is too close to the profession. They have sought the appointment of Charles Bowsher, the former comptroller general and head of the old Public Oversight Board. But Mr. Bowsher has had a strained relationship with Mr. Pitt since he resigned in protest from that board, saying Mr. Pitt's suggested revamping would give the accounting profession too tight a rein on the regulatory apparatus.

Other candidates for the board include Sheldon Cohen, a former Internal Revenue commissioner; J. Michael Cook, a former chief executive of Deloitte Touche Tohmatsu; Kayla J. Gillan, a former general counsel of the California Public Employees' Retirement System; Bevis Longstreth, a former member of the S.E.C.; Mary L. Schapiro, vice chairman of NASD; Joel Seligman, law school dean at Washington University in St. Louis; and Michael Sutton, a former chief accountant at the S.E.C.

DOWJONES

=DJ Levitt Praises Pitt As "Best Qualified" To Head SEC

10:25:43, 03 October 2002

Dow Jones News Service via Dow Jones

By Judith Burns Of DOW JONES NEWSWIRES

WASHINGTON (Dow Jones)--Former Securities and Exchange Commission Chairman Arthur Levitt had praise for his successor, Harvey Pitt, and for TIAA-Cref Chairman and Chief Executive John Biggs, rumored to head a new accounting oversight board.

Pitt, a Republican, has been sharply criticized by congressional Democrats. But in remarks late Wednesday to the AFL-CIO, Levitt said Pitt is "the best qualified person for the job" at the SEC.

Levitt, kicking off a tour to promote his book "Take on the Street," noted that Pitt recently suggested scrapping an "ordinary business exemption" that now precludes shareholders from voting on how companies account for stock options. Levitt said the idea is good, and admitted he wished he'd proposed it under his tenure.

The former SEC chairman also praised Biggs, saying the head of the massive teachers' pension fund would be a good choice to head the accounting oversight board created by Congress this summer.

"I can't think of anyone better in America to undertake that job," Levitt said. If Biggs is tapped and agrees to do the job, Levitt said, "I think he'd be an excellent choice."

Levitt defended one of his more controversial efforts, known as Regulation Fair Disclosure, saying it has been "enormously successful." The rule bars public companies from releasing important information to a select audience, such as industry analysts, unless they simultaneously issue it to the public.

"The brokerage community still has reservations," but the rule has been welcomed by investors and corporate executives, Levitt said.

-By Judith Burns, Dow Jones Newswires; 202-862-6692;
Judith.Burns@dowjones.com

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STORY TOP

THE WALL STREET JOURNAL. OPINION FRIDAY, OCTOBER 4, 2002

REVIEW & OUTLOOK

Fighting Mr. Biggs

Most American businesses are dumb about politics, but the accounting trade seems positively obtuse. Earlier this year its resistance to any reform all but invited Congress to intrude with harsher new legislation. Now the geniuses are back again, trying to shoot down a sensible choice to lead the new accounting standards board.

The accountants try to derail a tough cop.

The big accounting firms won't dare speak on the record about this. All signs suggest they're working instead through Republicans in Congress, specifically Ohio's Mike Oxley, who has carried oceans of water for the industry before. They don't want pension fund chief John Biggs to lead the new accounting board because they fear he might actually force the industry to shape up after the fiascoes at Enron, WorldCom, Xerox, Tyco and so on.

Mr. Oxley's press spokeswoman explained yesterday that the Congressman "is interested in a more moderate person" in that job. Now, we've listened to the soft-spoken Mr. Biggs make his pitch on corporate governance, and moderate is the exact word we'd use to describe him. Elaborating a little, Mr. Oxley's spokeswoman added that, "He thinks you should have someone who has neither a pro-industry nor an anti-industry agenda."

Translation: He's not in the tank for the remaining Big Four. They're especially afraid Mr. Biggs might restrict the lucrative consulting that accountants now do for the companies they audit. At TIAA-CREF, the pension fund for teachers and others, Mr. Biggs has limited consulting services for his auditors. But then so do such admired companies as Pfizer. Mr. Biggs has also favored rotating auditors every few years with the same company—a practice that accountants hate but that might help turn over some corporate rocks.

Beyond Mr. Biggs, the issue is whether the accounting industry has learned anything from its recent travails. One of its venerable giants is out of business, and PricewaterhouseCoopers is being investigated as the auditor for the "criminal enterprise" that prosecutors now say Tyco has been. You'd think the bean counters would realize that a respected cleanup man is exactly what they need to restore some public trust in their trade.

This is also a test for SEC Chairman Harvey Pitt, who whiffed on accounting reform himself and was rebuked by Congress. Mr. Pitt had wanted to fill out the five-member accounting board by the end of last month, but he's clearly having problems. Paul Volcker turned him down, and with all the arrows now flying in Washington others are backing out. If Mr. Pitt can't name a board that the public sees as independent and credible, the White House should find an SEC Chairman who can.

October 4, 2002

The Honorable Harvey L. Pitt
Chairman
Securities and Exchange Commission
450 Fifth Street, NW, Room 6000
Washington, DC 20549

Dear Chairman Pitt:

The centerpiece of the recently enacted accounting and corporate reform legislation was the creation of a Public Company Accounting Oversight Board to oversee the auditors of public companies. That legislation provides in relevant part that the "Board shall have five members appointed from among prominent individuals of integrity and reputation who have a demonstrated commitment to the interests of investors and the public." It is our view that the SEC should seek out individuals who have had a long and accomplished career working for the interests of investors as demonstrated by serving in leadership positions managing major investment or pension funds, or advocacy groups that have worked for more transparent and accurate financial reporting.

We have been very dismayed to hear of Republican opposition being mobilized against a clearly qualified candidate with a demonstrated record of commitment to the interests of investors. The record of service of John Biggs, Chairman and CEO of TIAA-CREF, on behalf of investors represents exactly the type of candidate needed to fulfill the qualifications described above. His record, as an active voice in the institutional investor community, as a governor of the NASD, as a trustee on the foundations supporting the Financial Accounting Standards Board and the International Accounting Standards Board, as a member of the Blue Ribbon Committee on Improving the Effectiveness of Audit Committee, and, briefly, as a member of the Public Oversight Board, clearly demonstrate a commitment to investors and the public that would be difficult to improve on.

Given the continued and implacable opposition of the accounting industry to the establishment of an independent oversight board, it will take the appointment of strong and committed members to fulfill the clear legislative mandate of the legislation. We strongly urge you to resist bowing to pressure to reject a candidate due to industry opposition. Without a strong and credible oversight board that can put effective reform in place, we are unlikely to see the kind of "sea change" in the culture of the accounting profession that is clearly needed if we are to restore the reputation of the accounting industry and the integrity of the financial reporting system.

The choices you make now in appointing the new board will be an important part of your legacy at the SEC. The appointment of a strong and credible oversight board is the most important step that you and your fellow commissioners can take to demonstrate your commitment to implementing the law as Congress intended and protecting the American investor, not special interests.

Sincerely,

RICHARD A. GEPHARDT
Minority Leader

JOHN J. LaFALCE
Member of Congress

BARNEY FRANK
Member of Congress